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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/699,314	10/31/2003	Bruce M. Horton	NYMX0001	3935

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EXAMINER
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SHUMATE, PAUL W

ART UNIT	PAPER NUMBER
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3693

NOTIFICATION DATE	DELIVERY MODE
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06/02/2009

ELECTRONIC

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

Notice of the Office communication was sent electronically on above-indicated "Notification Date" to the following e-mail address(es):

patentcolorado@hhlaw.com

<b>Office Action Summary</b>	<b>Application No.</b>	<b>Applicant(s)</b>	
	10/699,314	HORTON ET AL.	
	<b>Examiner</b>	<b>Art Unit</b>	
	PAUL SHUMATE	3693	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

#### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

#### Status

- 1) ☒ Responsive to communication(s) filed on 09 February 2009.
- 2a) ☒ This action is **FINAL**.                      2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

#### Disposition of Claims

- 4) ☒ Claim(s) 1-7 and 9-18 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-7 and 9-18 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

#### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

#### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All    b) ☐ Some \*    c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
  2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

#### Attachment(s)

- |  |   |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)          | 4) <input type="checkbox"/> Interview Summary (PTO-413)           |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | Paper No(s)/Mail Date. _____                                      |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08)          | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| Paper No(s)/Mail Date _____  | 6) <input type="checkbox"/> Other: _____                          |

## **DETAILED ACTION**

### ***Status of Claims***

This action is in reply to the communication filed on 2/9/2009.

Claim 8 has been cancelled by Applicant.

Claims 1-4, 7, 10-14 have been amended by Applicant.

Claims 1-7 and 9-18 are currently pending, have been examined, and stand rejected.

### ***Claim Rejections - 35 USC § 112***

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Previous rejections of claims 1-4, 7-14, 17, and 18 are moot due to Applicant's amendments and/or cancellation to the relevant claims.

Claims 5, 6, 15, and 16 are still rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

Claims 5, 6, 15, and 16 recite the limitation "the defined period." There is insufficient antecedent basis for these limitations in the claims. The examiner believes Applicant intends to be referencing "a period of time" as recited in claim 1 or "a specified settlement period" as recited in claim 12.

Appropriate action to correct and clarify these issues is required.

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***Claim Rejections - 35 USC § 103***

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claim(s) 1-7 and 9-18 rejected under 35 U.S.C. 103(a) as being unpatentable over Lange, U.S. Publication No.: 2002/0099640, in view of Brady et al., Patent No. 7,197,483, further in view of Vacante et al., U.S. Publication No.: 2004/0176990.

As per claims 1 and 12, Lange teaches defining an eroding futures contract (or a futures contract having multiple final settlements that occur during a settlement period) in at least paragraphs 0709, 0908, and 0923.

Lange teaches trading a strip of futures which is equivalent to executing simultaneously a group of futures with different expiration dates (see at least paragraph 0709) for *a single price* (see at least paragraphs 0908 and 0923) which together make up and define the strip. The *single strip*, or structured futures product, made up of underlying component futures contracts is interpreted to be substantially equivalent to the single eroding futures contract of claim 1 and the single futures contract of claim 12 which has a specified settlement time period range where a portion of the contract is settled during the range of time specified as the settlement period.

According to Applicant's disclosure, "an eroding futures contract may be defined as a composite or **strip** 25 comprising a specific number of component contracts in which the contract balance reflects the quantity or number of unsettled component contracts (see paragraph 0011), an eroding contract may be constructed as a plurality of component contracts where each component can be settled independently (paragraph 0039)" and "eroding contracts in accordance with the present invention are characterized as having multiple final settlements that occur during the settlement period (paragraph

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0023)." Therefore, in view of Applicant's own disclosure, it is clear that the single strip as defined and traded in Lange is substantially equivalent to the single eroding futures contract as presently claimed.

Lange does not specifically teach executing trades between buyers and sellers of the single eroding futures contract on a regulated exchange. Brady, however, teaches a system and method for electronically trading derivatives (see at least column 3 lines 11-15) which enables liquid and efficient electronic trading of exchange listed products, thereby reducing risks associated with alternative over the counter mechanisms. That is, the system provides both the flexibility inherent in over-the-counter (OTC) trading and the reduced risk of Exchange matching and/or clearing (see at least column 4 lines 28-34). Orders are sent to regulated exchanges such as the CBOT, CME, and Eurex LD (see at least column 4 lines 43-44). *Market makers* generate indicative quotes for structured futures products, such as those traded in the Chicago Mercantile Exchange's Eurodollar complex. These structured products are characterized by the trading of several futures grouped as *a single transaction*. These are known generically as strips, and the CME further defines them as packs and bundles (see at least column 12 lines 1-8). It would have been obvious at the time the invention was made to combine the similar teachings of Lange and Brady to allow trading structured future products on regulated exchanges such as the CME because it provides both the flexibility inherent in over-the-counter (OTC) trading and the reduced risk of Exchange matching and/or clearing (see at least column 4 lines 32-34 in Brady).

Further, the defined/initial size of the traded pack/strip is the net value or sum of the sizes defined in each underlying component futures contract making up the pack/strip. The specified delivery location is defined by the specific delivery locations of each component contract. The plurality of defined settlement dates is the plurality of expiration dates defined in each component contract in the pack/strip. The specified time period of the settlement dates is the range covered from the first expiration date to the last expiration date of the component contracts making up the pack/strip. The initial margin associated with a traded strip of futures is the netted initial margins associated with each of the pack's/strip's component contracts. Upon expiration of at least one of the component contracts, it is old and well known that that expired contract must be settled, either through cash settlement or through physical delivery of the underlying commodity. Therefore every time a component futures contract in the strip

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expires and is then settled, a portion of the traded pack/strip is now settled. Since the margin requirement of a financial product is generally specified relative to the product's current market value, as portions of a strip are settled, the market value of the remaining open portion of the strip changes, which would therefore also change the margin requirement associated with the strip as well.

Although the teachings of Lange and Brady substantially teach the structured futures products as claimed, neither Lange nor Brady state, word for word, that the structured futures product (pack, bundle, strip) is a single futures contract. However, Vacante teaches a method and system for trading futures contracts where "the future may also specify other standard and non-standard contract terms [and] the future may provide for multiple purchases, each purchase with its own expiration date and time (see at least the last 6 lines of paragraph 0015)." Further, Vacante teaches that "the future may have the ability to be exercised in part or piecemeal [and] the unexercised portion may be re-sold to third parties or retained (see at least paragraph 0021). It would have been obvious at the time the invention was made to a person having ordinary skill in the art to incorporate the teachings of Vacante into the teachings of Lange and Brady to specifically teach trading a single futures contract with multiple delivery events to occur over a schedule period of time because this enables purchasers to better mitigate risk using non-standard or non-traditional contract terms (see at least paragraphs 0005 and 0015).

As per claims 2, 3, 13, and 14, Vacante further teaches trading any un-exercised portions of a futures contract before a final settlement or expiration date and clearing a finally settled portion of the futures contract after a defined settlement event (see at least paragraphs 0015, 0017, and 0021).

As per claim 4, Lange further discloses generating reports reflecting activity related to the trading and settlement of exchange trades (see at least paragraphs 0098, 0194, and 0761).

As per claims 5, 6, 15, and 16, the examiner asserts that strips of futures contracts (or packs) are commonly traded to mitigate risk in a market with volatile prices and the range of expiration dates defined in the strip of futures contracts are related to the volatility patterns of the market in which the futures contracts are traded. Depending on the market, this range may be days, months, and even years. It would be obvious for the range of expiration dates defined in a traded strip of futures contracts (or pack)

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to span days, weeks, months, or years depending on the market in which the strip of futures contracts (or pack) is traded.

As per claim 7, Lange discloses a single trade comprising multiple futures contracts with different expiration dates as shown above. He further discloses reducing an open position value of the contract by an amount equal to a quantity of the contract that was finally settled because this is exactly what happens when any one of the futures contracts in the strip expires, and is therefore settled, while other futures contracts still exist in the strip that have not yet expired. Vacante teaches the limitations of claim 7 in at least paragraphs 0015 and 0021.

As per claim 9, Lange further teaches in paragraph 0709 each final settlement event, which is represented by each different futures contract's settlement, occurs at a contract-specified settlement time, which is represented by each contracts individual expiration date.

As per claims 10 and 11, Vacante further teaches the traded futures contract as a fixed quantity contract and also as a variable quantity contract (see at least paragraphs 0015, 0017, and 0021).

As per claims 17 and 18, it is old and well known in the art that settling and clearing a futures contract obligation is commonly done through cash payment or physical delivery of the underlying commodity and therefore would have been obvious settlement methods to specifically include in the teachings of Lange, Brady, or Vacante since all teach methods of trading futures contracts.

### ***Response to Arguments***

Applicant's arguments have been fully considered but they are not persuasive and/or moot in view of the new ground(s) of rejection.

Applicant argues that this interpretation of Lange is wrong and that Lange does not teach the single eroding futures contract of claim 1 or the single futures contract of claim 12 which has a specified settlement time period range where a portion of the contract is settled during the range of time specified as the settlement period. Applicant further points out that Lange certainly does not teach a strip being a single futures contract and explicitly teaches just the opposite—a strip includes constituent contracts. The examiner agrees that Lange does not teach a strip being a single futures contract and agrees that Lange

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teaches a strip includes numerous underlying component contracts. However, the examiner respectfully disagrees with Applicant's conclusion that because Lange does not teach a strip being a single futures contract then Lange also does not teach the claimed single *eroding* futures contract. The examiner asserts that Lange teaches defining and trading *a strip*, a structured futures product, which is constructed of and defined by a plurality of component futures with varying expiration/settlement dates (see at least paragraph 0709 in Lange). According to Applicant's disclosure, "an eroding futures contract may be defined as a composite or **strip** 25 comprising a specific number of component contracts in which the contract balance reflects the quantity or number of unsettled component contracts (see paragraph 0011), an eroding contract may be constructed as a plurality of component contracts where each component can be settled independently (paragraph 0039)" and "eroding contracts in accordance with the present invention are characterized as having multiple final settlements that occur during the settlement period (paragraph 0023)." Therefore, in view of Applicant's own disclosure, it is clear that the single strip as defined and traded in Lange is substantially equivalent to the single eroding futures contract as presently claimed. Additionally, as per the teachings of Brady, the structured futures products called packs which trade on regulated exchanges such as the CME, are substantially equivalent to the claimed invention as shown in the rejections above. Other arguments are moot in view of the new ground(s) of rejection.

### **Conclusion**

**THIS ACTION IS MADE FINAL.** Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.



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Any inquiry concerning this communication or earlier communications from the examiner should be directed to Paul Shumate whose telephone number is 571-270-1830. The examiner can normally be reached on M-F 8:30 AM - 6:00 PM, EST alt Fridays off.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James Kramer can be reached on 571-272-6783. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/James A. Kramer/  
Supervisory Patent Examiner, Art Unit 3693

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